

This record is a partial extract of the original cable. The full text of the original cable is not available.

UNCLAS SECTION 01 OF 02 ROME 001019

SIPDIS

SENSITIVE  
SIPDIS

E.O. 12958: N/A

TAGS: [PGOV](#) [ECON](#) [IZ](#) [IT](#) [ITALY](#) [NATIONAL ELECTIONS](#)

SUBJECT: BERLUSCONI-PRODI DEBATE SHOWS CONTRAST: NO  
KNOCKOUTS

REF: A. ROME 0996  
[B](#). ROME 0584

[1](#)1. (SBU) SUMMARY: Many commentators give PM Berlusconi a slight edge over challenger Romano Prodi in last night's second candidate debate. Berlusconi was more poised than in the first debate and offered a surprise proposal to eliminate local property taxes on every family's first home--a proposal some observers believe might bring him crucial undecided voters. Prodi hammered the Berlusconi record but failed to inspire with his performance. In a debate in which PM Berlusconi tried to paint Prodi as the powerless head of a band of communists and ex-communists, Iraq was the only foreign policy issue. On Iraq, Prodi repeated the Union's standard line that he would call for a phased withdrawal of Italian troops by the end of 2006 in consultation with the Iraqi government. However, his fervor in denouncing the attempt to bring democracy to Iraq through regime change was noteworthy. END SUMMARY.

POCKETBOOK ISSUES DOMINATE THE DEBATE  
-----

[1](#)2. (SBU) PM Silvio Berlusconi and center-left (CL) challenger Romano Prodi squared off April 3 in the second of two American-style debates. As was the case in the first debate, pocketbook issues dominated (REF A). However, both candidates avoided explaining how they would finance the various tax cuts and spending proposals they had offered over the course of the campaign.

TWO COMPETING IMAGES OF GOVERNMENT EMERGE  
-----

[1](#)3. (SBU) More forward-looking than in the last debate and less defensive, Berlusconi described a vision of smaller government that enables individuals to thrive. In contrast, the more professorial Prodi outlined a paternalistic role for government that redistributes wealth from the rich to the less fortunate. Berlusconi tried to paint Prodi as the powerless head of a band of communists and ex-communists and focused on Prodi's proposals to increase the inheritance and other taxes. Prodi consistently asked for Italians to consider whether they feel better off now than five years before and proposed programs, such as a cash payment to families with children.

[1](#)4. (SBU) In his final statement and the last comment of the night, Berlusconi dramatically proposed cancellation of local taxes on a family's first home (ICI) a clear attempt to appeal to his constituency's pocketbooks. Berlusconi's task over the next week is to convince incredulous and apathetic voters that his proposal is credible. It remains unclear whether Berlusconi coordinated the proposal with his coalition allies, and the measure could run afoul of the Northern League. ICI is one of few Italian taxes raised by municipal governments for their own benefit, and some CL officials, ironically given their opposition to devolution, have called ICI a form of "fiscal federalism," a concept dear to the Northern League.

[1](#)5. (SBU) Several CL Mayors have already denounced Berlusconi's proposal. Rome Mayor Walter Veltroni said that Rome collects Euro 300 million from ICI and said it is irresponsible for Berlusconi to propose eliminating a source of local income without offering an alternative. But the PM did find one odd bedfellow: Communist Renewal Party leader Fausto Bertinotti expressed support for Berlusconi's proposed cut to ICI.

IRAQ: THE ONLY FOREIGN POLICY ISSUE  
-----

[1](#)6. (SBU) Italian participation in peacekeeping operations in Iraq was the only foreign policy issue raised by the questioners. Prodi said the war did not bring peace and had led to an increase in terrorism. His government never would have entered, and this was not the way to export democracy, which Europe has done more effectively by other means. He repeated the standard Union line, that he would bring home Italian troops by the end of 2006, in consultation with the Iraqi government (REF B). He did not refer to prior

consultation with coalition allies and said Italian soldiers would come home "as soon as possible."

17. (SBU) Berlusconi responded that Italian troops did not participate in the war in Iraq but went there at the invitation of the UN and had focused on reconstruction. He confirmed the government's stated policy of a phased withdrawal by the end of 2006. Berlusconi used this issue to maintain that a Prodi government would be at the mercy of communist party leaders, declaring "we cannot isolate ourselves from the world."

COMMENT  
-----

18. (SBU) COMMENT: Prodi's statements on Iraq were not new, but his fervor in denouncing the attempt to bring democracy to Iraq through regime change was noteworthy. More than in the first debate, Italians were able to see two different views on the role of government expressed by Berlusconi and Prodi. Down in all publicly available polls, Berlusconi is targeting undecided and apathetic voters--both those who still fear communists and those who just want to pay less taxes. Many commentators call Berlusconi's proposed tax cut an obvious ploy to win votes, while others say the obvious ploy might be what he needs. If so, its effect will turn on whether people believe he will keep this promise--and that means he has a selling job to do in the few remaining days before the elections. END COMMENT.  
SPOGLI